



## *Failure of development in Iraq reasons and ways of getting up*

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### **Abstract**

Development is the outcome of the interaction of a large number of economic, social, political, cultural, human-centered and development components that can be achieved by eliminating the characteristics of underdevelopment and gaining the dominant characteristics of developed countries. In Iraq, the economic development due to internal and external wars and long years of sanctions witnessed many problems that led to the deterioration of the development indicators quantitatively and qualitatively, as well as many challenges, including dependence on oil, changing production structure and rampant financial and administrative corruption. Sectoral sectors of the Iraqi economy, which requires discussion of the development alternatives available to him at present, and put the most appropriate alternative to the reality and requirements of the new renaissance, and the establishment of productive projects with a significant return and productive assets and retain its value and Able to increase this value for the benefit of this generation as well as future generations.

### **Introduction**

The Iraqi economy was, and remains, a single, rural economy. The government, which was the main monopoly in the formulation of development plans and programs, which led the country's leaders, has been subjected to large structural imbalances at the level of the economy. If the process of development occurs spontaneously in developed countries, the reason for this is the availability of capital and infrastructure and the spread of awareness and culture and not exposed to cultural and social problems all these factors made the economic development in developed countries not faltering reversed the economic development in Iraq, Is not in line with the reality of the Iraqi economy and its potential material and human. The front of development in Iraq has many obstacles and difficulties, which requires work on their development and development as a prerequisite for achieving economic advancement and stimulate foreign investment for To contribute to the financing of production and service projects.

**The problem of the study:** The achievement of indicators of economic development in Iraq is less than in all Arab countries.



**The hypothesis of the study:** The study starts from the hypothesis that the economic development in Iraq is a slow and faltering development, and not in line with the country's material resources. Therefore, it is necessary to find a viable development alternative that puts the country's capabilities in its right place and employs them to serve the people. Advancement and progress, the external worker is employed in the service of national development.

**Objective of the study:** The aim of the research is to shed light on the reality of economic development in Iraq and the stages that have passed, and the challenge of the most important development problems faced, and how to address these problems in order to promote the reality of economic development in the country.

### **The first requirement: in the concept of economic development**

The physical view of development envisages development as a rapid increase in per capita income, which either accrues to the majority in the form of jobs and other economic opportunities, or creates the necessary conditions for a wider distribution of economic and social benefits of growth, thus increasing income and the factors causing it<sup>(1)</sup>. Development is not just an economic growth and a rise in per capita income. It is a comprehensive process that concerns people as well as improving economic, political, social and cultural conditions. Development is usually described as a normative concept that requires an important shift in the previous forces or areas, Economic performance as well.

Growth refers to an increase in dimensions and measurements. Development refers to change in quantity and quality<sup>(2)</sup>. Development is defined as a concept with economic, social and political meaning, which is not specific to a particular sector. Therefore, the process of development means development in many areas, which aim to cause steady increases in per capita income as the goal of development and its means<sup>(3)</sup>.

Economic development is more general and comprehensive because it focuses and covers all the economic, political and cultural requirements for rapid institutional and structural transformations of societies suffering from development problems. This requires a large government role with a high degree of coordination in economic decision-making.

And others see development as a "cumulative process of continuous, consisting of a combination of political, social, economic and technical changes that are shared by reciprocal feedback, a process that creates an independent vision that develops the capabilities of the economy and society and enables it to provide human resources and material and financial resources to promote and rationalize economic



production, Thus allowing for the provision of a decent standard of living for citizens in a context of security in a continuous or steady manner <sup>(4)</sup>.

A process in which real income is increased in a cumulative, rapid and continuous manner over a period of time, so that this increase is greater than the rate of population growth while providing productive and social services, protecting renewable resources from pollution and conserving non-renewable resources from depletion<sup>(5)</sup>.

### **The second requirement:** economic development in Iraq: reality and indicators

The development indicators in Iraq, both past and present, indicate a quantitative and qualitative deterioration, as a result of the destruction of the political, economic and social structure caused by internal and external wars and long years of sanctions, the impact of these conditions is too deep to be measured by very abstract and general indicators and figures. As well as that these circumstances will be accompanied by their effects and negative repercussions of the next development process and the level that can reach the development. This means that the data do not reflect the reality of the decline in the structure, the essence and the extent of the decline, as it fails to give the image of the decline in the economic, political and cultural structures of society.

The emergence of the relationship between oil and development in Iraq with the expansion of the processes of building the modern state and in conjunction with the increase in oil production and increase revenues, so the development movement in Iraq was linked to oil revenues, which led to the emergence of serious problems of the pattern of development. With the start of production and export of oil in 1934 the Iraqi government began to receive oil revenues that contribute to the financing of the budget, but these revenues were few, but it helped the government to finance a variety of different sectors<sup>(6)</sup>. The Government has undertaken a series of developmental attempts to develop the economy, including the establishment of textile and vegetable oil industries. However, these industries were the result of much of the production, which was directed towards domestic consumption and low prices<sup>(7)</sup>.

At the beginning of the 1950s, Iraq witnessed a shift in the economic development process. This helped to increase the oil revenues achieved after the "half-profits" agreements with the foreign oil companies in the early fifties. This shift started by the Iraqi government, The task of the Council of Reconstruction was to develop a general economic plan to develop the country's resources and infrastructure, raise the standard of living of the population and make fundamental changes in the course of the Iraqi economy<sup>(8)</sup>. After the revolution of July 1958 and the



establishment of the republican system, the Council of Reconstruction and the Government adopted a new economic policy that led to the formation of a temporary ministerial committee to replace the Council of Reconstruction, which included the implementation of the reconstruction programs and the planned economic projects and the continuation of the implementation of this plan, even less so until the organization of new planning mechanisms and mechanisms for development<sup>(9)</sup>. In addition, the oil revenues did not contribute to the development of the productive sectors, but contributed to the backwardness of the structure of other economic sectors, especially the sectors of agriculture, industry and internal trade, and the distortion of the structure of trade Of Foreign Affairs.

After 1968, this stage had a great impact on changing the economic and social conditions that prevailed in Iraq and required the government to continue to implement the programs and projects to be implemented and to take the role of the state in increasing economic life. This role has become clear that the general activity is the dominant activity in all events Economic and expenditure on the expansion of educational and health services and the development of the governmental administration sector with all its specialties, so that the economic management is characterized by a high degree of centralization, the government policy focused on expanding the public sector base in economic activity Increase its effectiveness through the creation of a large number of public institutions within the economy<sup>(10)</sup>. In the mid-1970s, the Iraqi government managed to nationalize the oil companies. This led to an increase in financial resources, which led to an increase in average per capita income. Iraq became a middle-income developing country and compared with Greece, South Korea and Portugal, not far from Spain in average per capita income. It was expected to enter the high-income countries in two decades, and the Government was able to achieve a high level of development at the time as a result of large investments in infrastructure and productive activities<sup>(11)</sup>. The state continued the policy of explosive development with greater determination and acceleration than it did in the previous stage. It expanded the state sector horizontally and vertically and in all sectors of the economy, despite the fact that the structure of investment was characterized at this stage as distorted, but this distortion was not apparent due to the large number of criticism Foreign investors, which were covering those investments, which were mostly few projects of social benefit, and were not related to sectoral guidance as much as the search for investment opportunities and the creation of projects for inclusion in the investment plan<sup>(12)</sup>.

However, the start of the Iraq-Iran war led to the apparent distortion at



the sectoral level due to the decline in oil revenues from \$ 26.1 billion in 1980 to \$ 10.4 billion in 1981, which led to a decline in GDP growth rate by 4.7% due to depletion of resources in The war, which led to the gradual depletion of Iraq's reserves of foreign currency, estimated at \$ 40 billion, and then drain the surplus at the end of 1983, Iraq turned from a country with a surplus before the financial war to a country with a deficit and debt<sup>(13)</sup>.

At the beginning of the nineties of the last century were several attempts to promote economic development through the development of industrial sector projects and the establishment of power plants and infrastructure reconstruction, but the invasion of the former regime of Kuwait, the outbreak of the Gulf War II, and quickly lost those efforts, and destroyed most The biological assets that have accumulated over the past decades<sup>14</sup>. The country suffered material damage, which was concentrated in the destruction of its infrastructure. Estimates of the massive losses incurred by Iraq in infrastructure and industry as a result of the war varied. Ford in the consolidated Arab economic report of 1992 that the total direct material losses of Iraq during the second Gulf War estimated at \$ 232 billion due to the destruction of Iraq's economic institutions, infrastructure and infrastructure<sup>(15)</sup>. In the 35 years preceding the occupation of Iraq (1968-2003), Iraq earned revenues of \$ 271.11 billion in oil production and exports, but what was spent during the years of the Iran-Iraq war (1980-1988) amounted to 178 billion dollars according to government data, or 65.7% of all oil revenues received by Iraq during the years 1968-2003, which exceeds the total debt of the 13 Arab countries city in 1990<sup>(16)</sup>.

After April 2003, and with the start of the process of political change, many economists saw that Iraq is ahead of a new strategy leading to the launch of real development, replacing the dark situation with a developed development after decades of major destruction in all joints of the Iraqi economy, considering that the oil sector is the only sector, As the oil revenues will be used as a wealth to develop the accumulation and diversification of the economy and put it on the path of growth and self-development. Despite the high rates of growth of these revenues and the high rates of economic growth experienced by the Arab economy But the industrial and agricultural development policies failed to diversify the economy of Iraq and its liberation from a one-sided structure linking the growth opportunities in the economy as a whole, including checks of oil revenues are governed by the requirements of the international economy and the requirements of international politics, which were not always favorable<sup>(17)</sup>.

Most of the studies indicate that the structure of the Iraqi economy is



largely centered around the production and export of crude oil. The economic reality indicates that the country relies almost entirely on oil revenues in financing the public budget, which constitutes 95%<sup>(18)</sup>. The oil sector was separated from the rest of the national economy.

The Iraqi economy has faced many problems during the past years after the fall of the former regime, which hindered its growth and led to its decline and collapse, there was no clear strategy for economic development in most stages of development, which negatively impacted the Iraqi economy through the decline of many of its main indicators and low contribution Except for the oil sector, which has made the Iraqi economy vulnerable to fluctuations that occur in the international market as a result of changes in oil prices.

The reality of development in Iraq can be seen through the most important indicators of development and what has been achieved on the ground. This is an achievement that is not at the required level. The development process has witnessed many determinants due to the extraordinary circumstances that the country has undergone and which has changed the course of development. As a result of the destruction of the political, economic and social structure, as well as the decline in the level of services, primarily electricity and water, the spread of financial and administrative corruption and deterioration in the industrial and agricultural sectors, in addition to the deterioration of security and economic turmoil and Lacey and social, which had a significant impact on the development process.

In an initiative by international organizations such as the International Monetary Fund (IMF) and the US Agency for International Development (USAID), the government has received several proposals for national development. The first plan was put in place in 2005-2007, which included the development and rehabilitation of the oil industry, and the emphasis on the structural transformations of the economy through the creation of a diversified economy<sup>(19)</sup>.

Although the plans of the Iraqi government lists many initiatives in different sectors of the Iraqi economy, but the efforts of the government to achieve the goals set in real efforts are unbalanced, and to get rid of the dependence on oil and the accompanying large fluctuations expose the Iraqi economy to deviate from the path prescribed , And this goal is one of several goals where insufficient efforts have been made to achieve them. It seems that the previous plans have worked to identify the general challenges facing the Iraqi economy and provide general goals to deal with these challenges, in addition to general terms on the best means to achieve these goals.



This has resulted in the weak ability of the government to expand its investments in physical and human capital. The government has been close to collapse, terrorism has emerged, corruption has been rampant, and many practices that are not common in Iraqi society, such as violence, looting and forced displacement<sup>(20)</sup>.

The failing countries index is classified according to several characteristics, including: the inability of the central government in these countries to impose their authority on their national territory, secure their borders or monopolize this task, lack the necessary legitimacy to govern, rampant corruption and lack of circulation of power, absence or weakness of their legal systems and threat Its unity and stability with acute ethnic and religious divisions. These features were developed in 12 social, economic, political and military indicators, ranging in value from 0 to 10, and the higher the score, the higher the failed states. What is important here is the position of Iraq in the ladder of development failure. The worst ranking was Iraq's second behind the Sudan in 2007. The best ranking of Iraq was ranked 13th in 2014, and this index contains a long-term development achievement, Which reveals the depth of the development crisis experienced by the country. It means that the laws and rules governing the work of the society and the economy are erased by the widespread corruption and non-compliance with the law, so the policies are unable to produce positive fruits, or that these fruits are very small<sup>(21)</sup>.

This developmental failure is only the result of the accumulation of political, economic and social problems as revealed by the high points that Iraq has achieved in relation to each of these indicators, while acknowledging that the indicators resulting from the political change have caused a greater impact in this deterioration.

In order to identify the main points in the analysis of the reality of the Iraqi economic environment can be noted the most important determinants of the development process in the Iraqi economy.

#### **Fourth: Development problems in Iraq**

##### **1. Public debt capacity**

It represents the ratio of public debt to GDP as a measure of the cost of Iraq's financial leverage. The lesson is to provide a criterion for demonstrating debt sustainability, ie, debt sustainability without affecting the health or safety of economic growth in the country, Represents the ability to service debt and meet its obligations without affecting the health and safety of economic growth or the need to reschedule debt or the accumulation of arrears that hinder economic growth. The measure adopted by multilateral financial institutions in debt sustainability analysis should be 60% public debt / gross domestic product (GDP),



which expresses the maximum limits of economic safety<sup>(22)</sup>.

According to World Bank estimates for 2001, Iraq's external debt is \$ 127.7 billion<sup>(23)</sup>. Although Iraq's external debt ratings differ, the figure adopted by US officials is about \$ 133 billion<sup>(24)</sup>. Thus, the size of Iraq's external debt is a large number of the ability of the Iraqi economy to meet in the short and medium term and under the economic conditions experienced by Iraq. The following table shows the size of Iraqi debt.

Table (1) shows the size of the Iraqi debt during the period (2003-2015)

Ratio of total debt to GDP%	Total accumulated debt (Million dinars)	GDP at current prices (million dinars)	year
822.1	243426796.0	29585788.6	2003
388.3	206703747.0	53235358.7	2004
119.9	88223857	73533598.6	2005
129.5	123814182.0	95587954.8	2006
95.8	106732705.0	111455813.4	2007
56.4	88534812.0	157026061.6	2008
66.9	87374387.0	130643200.4	2009
47.4	76813642.0	162064565.5	2010
37.1	80564016.0	217327107.4	2011
30.8	77487035.8	254225490.7	2012
28.9	78265775.6	271091777.5	2013
29.5	76852443.6	260610438.4	2014
50.5	105861492.2	209491917.8	2015

Source:

- Republic of Iraq, Ministry of Planning, Directorate of National Accounts. (GDP data).
- Central Bank of Iraq, Annual Bulletin, various years.

The above data indicates that Iraq's debt is rising and the debt to GDP ratio is rising. An attempt to reduce this rate at present by paying interest payments and debt will require almost two-thirds of the Iraqi government's future revenues, which prevents the use of oil revenues to finance reconstruction And investment in major infrastructure<sup>(25)</sup>. As well as the rise in this ratio measures the burden of the Iraqi economy because of external debt.

In 2008, the external debt of Iraq was rescheduled when it approved the agreement of supporting arrangements with the International Monetary Fund and subject to unfair conditions, which led to a reduction in the volume of Iraqi debt, as well as the increase in the value of GDP as a result of high oil prices and increased quantities produced, Reducing the ratio of debt to GDP to reach 29.5%, which is very low, indicating that Iraq is still at a level of security, which justify its ability to finance through the international market according to different funding methods.



In 2015, the increase was due to the drop in oil prices and increased foreign borrowing to finance the defense budget to counter a terrorist organization. The excessive funding of the state budget deficit from external sources through external borrowing may exacerbate the crisis of external indebtedness in Iraq, if not directed to finance productive projects agreed with the institutions and international bodies funded, which makes the Iraqi government unable to continue to pay installments Religion and its benefits.

## 2. Internal and external wars

The result of these wars was the displacement of millions and the displacement of hundreds of thousands of Iraqis abroad, especially in the areas of northern Iraq and the center, the deterioration of food security of the community and the decline of human development indicators and the collapse of the process of economic development. Iraq has taken a decisive turn in the history of Iraq. US and allied forces occupied the country, abolished most of the institutional arrangements of the Iraqi state, and hastily set up new institutions at a time when the interests of ethnic and nationalist components varied and some found political change. You see it stolen. The incidence of violence and instability has increased to the extent that it has often been described as civil war, which has led to increased human, social, political and economic costs. The number of victims for the period 2003/2014 was estimated at 186,645 persons<sup>(26)</sup>. The number of IDPs was estimated at 3.2 million according to 2015 data Of the 8.2 million people in need of humanitarian assistance according to the World Food Program data<sup>(27)</sup>, and estimated the cost of reconstruction by about 250 billion dollars, despite the unprecedented rise in oil prices in world markets, which positively affected the revenues of oil exports achieved About 15 trillion dinars in 2003, to about 104 trillion in 2013 to 70 trillion in 2016, but the continued waste of oil resources and act on the basis that they are immortal resources, and the right of the present generation only and not for future generations right<sup>(28)</sup>, contributed to the decline in growth In GDP. The economy has been beset with problems exacerbated by economic and social underdevelopment and under increasing burdens arising from loans first and then from debt, burdens and compensations imposed since 1991<sup>(29)</sup>. In addition to the spread of the phenomenon of corruption and the difficulty of the government to perform its economic functions of the implementation of economic policies and the allocation of resources and the redistribution of goods and welfare among members of society<sup>(30)</sup>.

The prevalence of corruption in Iraq and the complexity of its links and the interdependence of its mechanisms to an unprecedented degree has become one of the obstacles that threaten the march of economic



development. The reality confirms that the issues of administrative and financial corruption in the years after 2003 show the extent of this phenomenon in the economic, political, social and administrative aspects. In spite of all the legislation and efforts exerted in the fight against corruption in Iraq and the establishment of many institutions and organizations specialized in this area, but corruption is still prevalent in Iraq in a large and dangerous, since 2003 until 2016 Iraq at the bottom of the Corruption Perceptions of the Transparency International Corruption Perceptions Index so that Iraq was 1.7 and 166 sequence out of 168 common state<sup>(31)</sup>.

### **3. High unemployment rates**

The problem of unemployment in Iraq is a problem of economic and social dimensions that clearly reflect the deficit in the economic infrastructure and the social imbalance on the social and economic dimensions. At the national level, unemployment is a social scourge that disrupts human capabilities, growth opportunities and economic well-being.

Many economists believe that there are many factors that caused unemployment. One of the reasons is that the population growth rate continues to rise at a high level. Available data confirm that the rate of increase was 3.1% annually<sup>(32)</sup>. As well as the deterioration of the security situation and the lack of security contributed to the decline in foreign investment enhanced the principle of the operation of the national labor force and structural imbalances between the economic sectors and limited employment of the workforce<sup>(33)</sup>, and the adoption by the US civil administrator (Paul Bremer) decisions have had a direct role in the aggravation of the problem of unemployment. The dismantling of the military institution, which had more than 550 thousand people between the volunteer and expensive, which caused high levels of unemployment during 2003 and 2004 to 28.1% and 26.8%, respectively, but the government expansion in use as a partial treatment of this phenomenon during the years 2005 - Shares in a reduced rate Behold, to 11%<sup>(34)</sup>, but Iraq suffered double of lower oil prices and the war against the terrorist organization of the crisis Daesh caused high rates of unemployment from 16.4% in 2014 to 25% in 2015<sup>(35)</sup>, which caused the exclusion and marginalization of young people.

### **4. Economic sectors lag behind**

The increase in the rental and unilateral nature of the Iraqi economy resulting from the control of the oil sector on the other commodity sectors has led to the imbalance of the relative relations that constitute the economic structure due to the poor coordination and interdependence between the economic sectors as well as the absence of coordination of economic policies and the weak interrelationship of economic relations



between different sectors, In Iraq, the services sector is characterized by a clear inflation and a relatively high contribution to GDP in a way that overshadows the relative contribution of the commodity sectors to GDP. Although the commodity sectors (And the agricultural sector) achieve positive growth rates that contribute to the composition of GDP but suffer from many distortions in their production structures. The rate of contribution of the agricultural sector is very low, which is only 5.0% since the political change. Thus, these modest percentages as a contribution to GDP indicate low rates and consequently a breakdown in the structure of agricultural production and the lack of production by meeting the food needs, Food gap in the Iraqi economy, as well as it reflects the decline in production and the increasing need for imports to meet the deficit resulting from this shortfall in agricultural production. As for the industrial sector, it was not better than the agricultural sector due to the looting and destruction of industrial facilities as a result of the recent war, as well as the opening of the Iraqi border to foreign goods cheap and high quality, so the rates of contribution to the composition of output is low, Exceeding an average of 1.5%.

Iraq has a weak and inflexible production structure that controls a small number of commodities, especially oil, so that oil revenues have been the only source of funding for development programs and government investment spending, so the Iraqi economy has become more vulnerable to external shocks caused by changes in international oil prices<sup>(36)</sup>. The following table shows the contribution of economic activities in the composition of GDP.

Table (2) shows the relative distribution of GDP  
At current prices by economic activity for the period 2003-2017

2017	2016	2015	2014	2013	2010	2005	2003	Economic activities
3.3	3.8	3.9	4.9	4.8	5.2	6.9	8.4	Agriculture, forestry and hunting
37.8	29.8	30.8	43.9	46.0	45.4	57.8	68.9	Mining and quarrying
2.3	2.0	1.8	1.8	2.3	2.3	1.3	1.0	Manufacturing
3.6	3.0	2.9	2.1	1.8	1.8	0.8	0.2	Electricity and water
6.6	9.3	8.7	7.1	7.3	6.3	3.7	0.7	building and Construction
10.3	11.0	10.0	7.2	6.6	5.8	8.0	7.7	Transportation and storage
9.00	9.6	10.0	7.8	7.5	7.7	5.7	6.5	Wholesale and retail trade, hotels and the like
7.7	7.8	11.2	7.7	7.7	9.5	7.4	1.3	Money, insurance and real estate services
19.40	23.4	20.3	17.1	16.0	16.7	8.9	6.3	Social and personal development services
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	Gross domestic product

Source: The percentages were calculated by the researchers based on the data in:  
Republic of Iraq, Ministry of Planning, Directorate of National Accounts.

By tracking the relative contributions of the economic activities of the GDP constituent sectors in the table above, it is clear to us the extent of



the imbalance in the production structure of the sectors. The oil sector is at the forefront of GDP formation, Searching. The other sectors of the commodity sector were characterized by low rates to the extent that they were not commensurate with the available resources. The average contribution rate of the industrial sector, electricity, construction and construction in the GDP was 1.0%, 0.2%, 0.7% Which reflects the weakness of the economic structure and the structural problems of the Iraqi economy due to the political and economic chaos experienced in Iraq in 2003, where many industrial facilities that constituted the infrastructure of the national economy such as the iron and steel industry Cement and petrochemicals, as well as other industries such as fertilizers<sup>(37)</sup>, sulfur and phosphate, all stopped working. However, after 2005, the contribution of the oil sector began to decline despite the great attention given by the state to it. This is due to the sectarian violence and low oil prices after mid-2008 The signs of the financial crisis, which was exposed to Iraq and the low oil prices and the war against the organization calling the terrorist. However, the oil sector remains at the forefront of its contribution to the composition of GDP. In contrast, other economic sectors witnessed a slight recovery due to expansionary fiscal policy in that period. In the years following 2003, Iraq was unable to find a balance of growth for other non-oil sectors, namely the agricultural and industrial sectors, both of which were destroyed and neglected due to the impact of the unjustified import policy<sup>(38)</sup>.

## 5. Limited private sector

The realistic view of the reality and capabilities of the private sector is very important for many reasons, the most important of which is the existence of this sector present at the origin and therefore can not be deleted from the economic scene and the reason is the growing call for this sector is the leader of economic activity in the internationalization of economic life and the phenomenon of growing globalization . The reality of the private sector after 2003 shows that it is a limited sector due to the looting that targeted many private projects. The opening up with the outside world has flooded the local market with many goods and services at very cheap prices that are difficult for the private sector to compete with. As well as the low levels of productivity, lack of raw materials and energy, and the security situation and its deterioration, which led many individuals to leave the country to Syria and Jordan because of the kidnapping and extortion of their families by terrorist gangs. At an estimated capital that entered Jordan after nearly two billion dollars in 2003<sup>(39)</sup>. As presently estimated Iraqi investments in Jordan more than \$ 15 billion.



These conditions contributed to the small role of the private sector in the investment activity of the country. The International Monetary Fund estimated total Iraqi and foreign private investment in the Iraqi economy at \$ 1080 million, representing 4.2% of GDP in 2004 and its absolute value in 2005 to reach \$ 1161 million And 3.5% of GDP<sup>(40)</sup>. The contribution of the private sector to the formation of fixed capital was low, with the average contribution rate of 5.0% after 2003 to the present time, and thus the activities of this sector are still very small.

## 6. Insufficient public institutions

The government has about 192 institutions, characterized by the main product of basic services such as electricity, water, building materials and petroleum products. Its production constitutes a large proportion of the production of consumer goods and inputs of industrial production, but its products are characterized by high cost and poor quality. In addition, these institutions are the largest employer of the labor force after the central government, and 25% of the factories of the state institutions are empty structures that were destroyed during the war, but the employees of those institutions continue to receive their salaries simply because they attend the work site and thus constitute a burden on the state budget and drain (Financial resources)<sup>(41)</sup>. In addition, most of these institutions suffer from underdevelopment and technological obsolescence due to economic sanctions. Due to the inefficiency of these projects in achieving the necessary revenues to cover production costs, the government provides direct support through cash transfers through the public budget. \$ 2.5 billion, equivalent to 3% of the general budget. Support may be indirect by providing electricity, water and fuel to these institutions free of charge or cheap. Despite the support provided by the government to its institutions, most indicators and data indicate that these institutions are exposed to large financial losses<sup>(42)</sup>. The increasing dependence on these institutions has a negative impact on the overall economic growth because it is based on the transfer of part of the government's public expenditure of education or infrastructure to it.

## The fifth requirement: ways to promote economic development

In order to be able to formulate an economic development policy that gives hope to eliminate backwardness and dependence and address structural imbalances, it is necessary to complete the process of transformation towards progress and achieve sustainable development by embracing a development alternative that puts the country in its rightful place and employs it to serve the people. Self-advancement and progress, and employs the external agent in the service of national development.



The trajectory of economic development in Iraq is seen as linked to oil revenues. The state's reliance on oil as the main source of revenue to finance development in forty years, which threatens the process of economic development and determine its dimensions, in addition to restricting Iraq's strategic options with many variables and policies, The structure of the Iraqi economy, its sectoral structure, and impeding the implementation of the objectives of the state<sup>(43)</sup>. It is therefore essential to diversify Iraq's economy from an economy that relies heavily on oil revenues to an economy characterized by a gradual increase in the contribution of other sectors to GDP, especially the productive sectors of agriculture, industry and tourism. And an increase in the employment rate, particularly among young people and women. To achieve this, there are some general elements that can contribute to the creation of a diversified economy and the advancement of economic development, including:

### **Public Finance Reform**

The weak state faces difficulty in controlling the management of the public budget and the total expenditure is a source of corruption, because in light of the weakness of the mechanisms of supervision and implementation, it becomes a field for systematic looting and misappropriation of public money. It presents a bad example of how to manage the resources of the society. To spend. The reform of the budget and the strengthening of transparency frameworks and public and public control of them means facing one of the biggest manifestations of corruption and corruption in the country. The reform of the tax system has an important role in enhancing public revenues. This is achieved through the establishment of tax systems based on direct taxes, fees, private sector institutions, personal income tax and the expansion of the tax base, as well as raising the tax rate on companies and projects in order to contain the budget deficit. The imposition of these taxes stems from the need for government resources because the economic development process creates pressure on available resources and requires intensive investment for the development of education, health and infrastructure.

### **Adopt the layout**

We should distinguish between central planning, strategic planning and administrative chaos, which we seem to be closer to than ever before. The process of managing state institutions and governance lacks deliberate, purposeful and rational work. Today, it follows the daily paths without a clear, specific future horizon. As a result. The capitalist world does not leave things to chaos, nor does it go unhelpfully. Public and private institutions rely on the concept of strategic planning and results management.



The absence of conscious and real planning in Iraq has led to further waste of oil resources, greater freedom of public funds, increased corruption and increased corruption in the economic and political practice of state institutions and government. The industrial sector in Iraq should play a major role in advancing the economic development of the developed countries and some of the transformative countries, as it is considered to be a justification for the adoption of strategic development planning at an appropriate level and in all sectors of the national economy. This sector is an important source in supporting and financing economic development and the development of other economic sectors. This is done through the adoption of an industrial policy through which economic management diagnoses sustainable economic activities, especially productive sectors, which are among the most important engines of economic progress. To find productive land that contributes to the use and generation of foreign exchange.

The agricultural sector can play an important role in achieving food security and income as well as providing job opportunities for a large proportion of the population as well as providing raw materials for many manufacturing industries. The availability of natural resources in quantity, quality and human resources are important elements of the success of economic plans and the strong basis To achieve economic diversification policies.

Iraq's water resources are generous compared with other countries in the region, and play a role in covering basic needs and securing agricultural requirements. The Tigris and Euphrates rivers are one of the main rivers in Iraq. These water resources can contribute to the rehabilitation of large areas of agricultural land, which have been exploited properly, through the construction of dams and irrigation channels.

### **Reliance on foreign investment**

Economic growth, economic development and the improvement of the standard of living are no longer easy in most developing countries, which lack the financial and technical resources necessary for the economic development process. Investment is one of the most important macro economic variables. The degree of development and development depends on the size of the local investment On inflows of foreign investment and on investment efficiency as a means of increasing production capacity in the national economy.

The importance of the role of foreign investments in being one of the most important sources of external financing for the process of development and reconstruction of Iraq and the solution of some of the



sectoral problems of the Iraqi economy. This role is linked to the possibility of foreign companies' access to their huge financial potential and ability to bring advanced technology and opening employment opportunities and introduce modern methods of management and work in light of the traditions of the era. And the training of national cadres administratively and technically that the problem of financing development and reconstruction of the wars destroyed by the infrastructure and the blockade of Iraq and bridging the gap in underdevelopment, so there is an urgent need to promote investments Directly and attract them through the appropriate environment for attracting and reliable sources of external financing for the advancement of the Iraqi economy and reconstruction. Which called for the adoption of economic programs and policies that will work to attract investments by granting many facilities and competitive advantages of foreign capital as well as the establishment of legislative and institutional frameworks to encourage and regulate the work of foreign investment on the reconstruction of Iraq and solve the sectoral problems of the Iraqi economy.

### **Activating the tourism sector:**

Tourism is one of the largest sectors generating jobs in many different fields. Tourism is a labor-intensive industry and one of the activities that effectively contributes to increasing foreign exchange earnings for foreign tourists. Tourism in Iraq is divided as follows:

First: Religious tourism: There are many holy places in Iraq including Najaf and Karbala in the holy city of Baghdad and Samarra, these places attract many international tourists, where the estimated spending of these tourists between one billion dollars to 2.5 billion dollars annually. It is also possible to say that this tourism can be relied upon to significantly increase public revenues and contribute to the creation of a sector that can have a positive impact on the national economy, despite the government's ability to promote this sector, but did not achieve its mission in financing economic development programs. Therefore, the government should stimulate investments in this sector and establish tourism companies with advanced administrative and media capabilities.

Second: Historical Tourism: Iraq is the cradle of many ancient civilizations. These included Sumerian, Akkadian and Babylonian civilizations, as well as Iraq's possession of some ancient cities such as Ur, Kish and Babylon. These civilizations and historical cities attract many archaeologists and foreign tourists.

Third: Ecotourism: This tourism in Iraq is still in its infancy except for the Kurdistan region, which has a green mountainous nature and can



provide a welcoming environment for foreign tourists. The marshes in the city of Nasiriyah, Amara and Basra are a historic site for the cities of the Mesopotamian civilization and an important incentive in encouraging tourists to move towards these sites and a major pillar of tourism attraction.

### **Stimulate the private sector**

The available indicators show that the private sector occupies an important position in the Iraqi economy at the present time and can be developed in order to enable it to play a greater role in production, investment and employment opportunities in the future. In addition to its superiority over the government sector in some activities such as agriculture, industry, construction, construction, transport, trade and ownership of housing, and accordingly there should be an invitation to increase the role of the private sector. Through a wide range of legal, institutional and regulatory reforms as a means of transforming Iraq into a modern and flexible market economy and requiring a range of measures, including facilitating streamlining and streamlining of government action in Iraq, and trade and regulatory reforms accompanied by the development of a transparent institutional and legal framework And simplifying the promotion of private sector work and laying the foundations for the rehabilitation of state-owned enterprises characterized by coherence, clarity, transparency and inclusiveness, and encourages privatization and privatization. Government banks must be restructured to encourage the integration process. To privatize and expand lending. As one of the most important strategies, methods, policies and procedures for the development of alternative sectors of oil and government use in order to eliminate the monopolization of the economy and to find sustainable sources of employment.

### **Small businesses substitute for large**

Expanding the base of small enterprises can serve to promote the culture of productive and productive work among young people and contribute to the creation of income-generating employment opportunities for new entrants in the labor market, the absorption of thousands of unemployed and the economic, social and political integration of young people. The importance of this developmental requirement stems from the fact that SMEs are the predominant type of projects in Iraq, absorb a large number of the labor force in the private sector and contribute a large share of non-oil GDP. Therefore, strengthening and supporting these projects and creating the right environment for their work will pave the way for the way to activate the role of the local private sector in the Iraqi economy.



## Conclusions:

1. Poor coordination and sectoral linkages between sectors of the national economy, as well as the absence of coordination of common economic policies.
- 2 - stumbling in the paths of economic development in different periods of time experienced by Iraq except the seventies of the last century.
3. The continued decline in the contribution of the private sector to the formation of GDP.
- 4- The security instability led to the weakness of investment and the flight of funds outside the country at a time when this money was supposed to be used to establish economic development projects that serve the citizens by providing job opportunities.
- 5 - Debt service was a heavy burden on the Iraqi economy, which requires deducting an important part of the revenues of the Iraqi government to pay those debts, at a time when Iraq needs to use that money for reconstruction and investment in infrastructure.

## Recommendations:

1. Improving legal infrastructure encourages private sector institutions with incentives to invest in productive activities such as capital accumulation, development of new products and production technologies.
- 2 - Reforming the budget and strengthening transparency frameworks and public and public control over them, means confronting one of the biggest manifestations of corruption in the country.
- 3 - The need to find an efficient administrative system capable of completing the process of development planning.
- 4 - Developing the productive and service sectors as one of the most important strategies, means, policies and procedures necessary for the development of alternative sectors of oil in order to eliminate the unilateral economy and to find sustainable sources of funds.
- 5 - To attract and encourage foreign investments in a manner that contributes to the financing of productive and service projects and guarantee the rights of the community in economic development.

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